

# **Allendale Public Schools**

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**Financial Report  
with Supplemental Information  
June 30, 2008**

# Allendale Public Schools

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**Independent Auditor's Report**

To the Board of Education  
Allendale Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Allendale Public Schools (the "School District") as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Allendale Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Allendale Public Schools as of June 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedule, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Education  
Allendale Public Schools

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Allendale Public Schools' basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional information and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated October 13, 2008 on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Plante & Moreau, PLLC*

October 13, 2008

# Allendale Public Schools

## Management's Discussion and Analysis

This section of Allendale Public Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2008. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

### Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Allendale Public Schools financially as a whole. The district-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund and the Capital Projects Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A)  
(Required Supplemental Information)

#### Basic Financial Statements

District-wide Financial Statements      Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)  
Budgetary Information for Major Funds

Other Supplemental Information

### ***Reporting the School District as a Whole - District-wide Financial Statements***

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets (deficit) and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

# Allendale Public Schools

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## Management's Discussion and Analysis (Continued)

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets (deficit) - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets (deficit) and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

### ***Reporting the School District's Most Significant Funds - Fund Financial Statements***

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Services and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

**Governmental Funds** - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets (deficit) and the statement of activities) and governmental funds in a reconciliation.

# Allendale Public Schools

## Management's Discussion and Analysis (Continued)

### *The School District as Trustee - Reporting the School District's Fiduciary Responsibilities*

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### **The School District as a Whole**

Recall that the statement of net assets (deficit) provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2008 and 2007:

TABLE I

	Governmental Activities	
	2008	2007
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 44.7	\$ 6.4
Capital assets	<u>51.0</u>	<u>42.1</u>
Total assets	95.7	48.5
<b>Liabilities</b>		
Current liabilities	9.5	6.6
Long-term liabilities	<u>98.2</u>	<u>53.3</u>
Total liabilities	<u>107.7</u>	<u>59.9</u>
<b>Net Assets (Deficit)</b>		
Invested in property and equipment - Net of related debt	(10.3)	(13.2)
Restricted	0.1	0.2
Unrestricted	<u>(1.8)</u>	<u>1.6</u>
Total deficit	<u><u>\$ (12.0)</u></u>	<u><u>\$ (11.4)</u></u>

# **Allendale Public Schools**

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## **Management's Discussion and Analysis (Continued)**

The above analysis focuses on the net assets (see Table 1). The change in net assets of the School District's governmental activities is discussed below (see Table 2). The School District's capital assets, net of related debt totaling (\$10.3 million), compares the original cost, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. The School District's net assets (deficit) was (\$12.0 million) at June 30, 2008.

It is important to note that the School District's participation in the School Loan Revolving Fund (SLRF) contributed to a deficit net asset amount (see Note 7). SLRF participation allows districts with low taxable values to lessen the immediate property tax burden to local residents for needed school facilities by levying a minimum of 7 mills and borrowing the remaining funds required for debt service from the SLRF. Repayment of amounts borrowed, together with accrued interest, will occur at a future time when taxable values are high enough to allow the School District to meet all debt service requirements by levying below 7 mills, or at such time that the School District issues a new Building and Site Bond approved by voters. Current law provides that any new voter-approved Building and Site Bond must include amounts sufficient to pay off SLRF amounts previously borrowed, together with accrued interest owed at the point of the sale of the new bonds. During 2007, the School District issued new Building and Site Bonds totaling \$59.71 million, which included amounts sufficient to allow repayment of over \$14.1 million in SLRF amounts borrowed and accrued interest. The School District would continue to levy at least 7 mills, however, until the SLRF is repaid. The impact on School District debt and the accompanying deficit in net assets (\$12.0 million) by its participation in the SLRF therefore includes \$14.1 million in amounts paid to the SLRF through new bond proceeds, and nearly \$2.4 million in new SLRF borrowings in 2008, for a total impact from participation in the SLRF of nearly \$16.5 million. These amounts directly relate to the School District's use of the SLRF. As noted earlier, repayment of all amounts owed will occur at some future date. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets, (\$1.8 million), was unrestricted.



# Allendale Public Schools

## Management's Discussion and Analysis (Continued)

The results of this year's operations for the School District as a whole are reported in the statement of activities, which shows the changes in net assets for fiscal years ended June 30, 2008 and 2007 (see Table 2):

TABLE 2

	Governmental Activities	
	2008	2007
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 0.5	\$ 0.5
Operating grants	3.2	2.4
General revenue:		
Property taxes	5.1	4.5
State foundation allowance	13.1	13.5
Other	1.9	0.2
Total revenue	23.8	21.1
<b>Functions/Program Expenses</b>		
Instruction	11.9	10.4
Support services	6.7	6.2
Food services	0.6	0.6
Athletics	0.3	0.3
Community services	0.1	0.1
Interest on long-term debt	4.2	2.6
Bond issuance costs	0.1	0.2
Depreciation (unallocated)	0.5	1.7
Total functions/program expenses	24.4	22.1
<b>Decrease in Net Assets</b>	<b>\$ (0.4)</b>	<b>\$ (1.0)</b>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$24.4 million. Certain activities were partially funded from those who benefited from the programs (\$.5 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$3.2 million). We paid for the remaining "public benefit" portion of our governmental activities with \$5.1 million in taxes, \$13.1 million in state foundation allowance, and with our other revenues, i.e., interest and general entitlements.

# **Allendale Public Schools**

## **Management's Discussion and Analysis (Continued)**

The School District experienced a decrease in net assets of \$.6 million. The key reason for the change in net assets was unallocated depreciation of \$.5 million. It is also important to note when discussing this deficiency that bond proceeds are not listed as a financing source. The School District's participation in the SLRF, for reasons discussed earlier, resulted in its borrowing of an additional \$2.4 million (exclusive of accrued and capitalized interest) to assist in the payment of bonded debt. This borrowing was in lieu of a duty to otherwise levy a higher property tax on the property of School District residents to meet payments required on bonded debt. As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of School District operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

### **The School District's Funds**

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of approximately \$37.9 million, which is an increase of approximately \$37.0 million from last year. The primary reasons for the increase are as follows:

### **General Fund**

In the General Fund, our principal operating fund, the fund balance increased by approximately \$196,000 to approximately \$934,000. The change is due mainly to reductions in operating expenditures achieved through lowering of expenditure levels in many areas in anticipation of uncertainties in state funding and the desire to build fund balance amounts. General Fund fund balance is available to fund costs related to allowable school operating purposes.

### **Capital Projects Funds**

Capital Projects Funds fund balances increased by approximately \$36.9 million as the School District began construction projects approved by voters in May 2007. Proceeds from this bond issue were received in July 2007.

### **Special Revenue Funds**

Our Special Revenue Funds showed a decrease in fund balance of approximately \$10,000. The change is due primarily to increased food costs in the food service area.

# Allendale Public Schools

## Management's Discussion and Analysis (Continued)

### Debt Service Funds

The combined Debt Service Funds fund balances decreased approximately \$108,000 from the prior year. The decrease was due primarily to the use of excess balances acquired from the late collection of delinquent 2006 real property tax paid from the county's delinquent revolving tax fund in the previous year in an effort to minimize the amount of School Loan Revolving Fund borrowing required to service bond debt payments. Millage rates remained steady. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Durant debt obligations are funded by annual state appropriation, and no fund balance exists at year end. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

### General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted June 16, 2008. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were no significant variances between the final budget and actual amounts.

### Capital Assets and Debt Administration

#### *Capital Assets*

As of June 30, 2008, the School District had \$62.0 million (net of accumulated depreciation of \$11.0 million) invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment.

	2008	2007
Land	\$ 2,776,353	\$ 1,125,006
Land improvements	3,894,336	3,894,336
Buildings and building improvements	48,901,709	43,078,077
Buses and other vehicles	1,705,698	1,688,600
Furniture and equipment	4,791,490	2,144,227
Total capital assets	<u>\$ 62,069,586</u>	<u>\$ 51,930,246</u>

We present more detailed information about our capital assets in the notes to the financial statements.

# Allendale Public Schools

## Management's Discussion and Analysis (Continued)

### Debt

At the end of this year, the School District had \$98.6 million in bonds outstanding versus \$40.5 million in the previous year. Those bonds consisted of the following:

	2008	2007
General obligation bonds	\$ 97,350,000	\$ 40,330,000
Less unamortized premium (discount)	1,849,432	363,740
Less unamortized bond issuance costs	(842,491)	(262,818)
Durant Non-Plaintiff Bond	89,796	89,796
Total bonds payable	<u>\$ 98,446,737</u>	<u>\$ 40,520,718</u>

The School District's general obligation bond rating continues to be the same as that of the State of Michigan because the School District issues "qualified debt," i.e., debt backed by the State of Michigan. Such obligations are not subject to the debt limit of 15 percent of the assessed value of all taxable property within the School District's boundaries. The School District's outstanding unqualified general obligation debt of \$285,198 for bus purchases is significantly below this statutorily imposed limit.

The school bond loan payable outstanding at the end of the year was \$2,358,200 and \$14,105,469 at June 30, 2008 and 2007, respectively.

We present more detailed information about our long-term liabilities in the notes to the financial statements.

### Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's annual fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2009 fiscal year is 25 percent and 75 percent of the February 2008 and September 2008 student counts, respectively. The initial budget was adopted in June 2008, based on an estimate of students that will be enrolled in September 2008. Approximately 82 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2008-2009 school year, we anticipate that the fall student count will be somewhat above the estimates used in creating the 2008-2009 budget. Once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations.

# **Allendale Public Schools**

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## **Management's Discussion and Analysis (Continued)**

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference held in May 2008, the State estimates funds are sufficient to fund the appropriation. Continuing pressures on the State's economy make uncertain the findings of the next revenue-estimating conference scheduled for January 2009. If revenue estimates needed to fund appropriations for school districts for the 2008-2009 school year are revised downward to a level that is insufficient to meet present appropriations, a proration of state aid will occur. The impact on the School District if such a proration should occur is unknown at this time.

At June 30, 2008, the School District had no unsettled contract or pending negotiations with any of its unionized employee groups.

# Allendale Public Schools

## Statement of Net Assets (Deficit) June 30, 2008

	Governmental Activities
<b>Assets</b>	
Cash and investments (Note 3)	\$ 40,101,739
Receivables - Net (Note 4)	3,085,373
Inventories	21,753
Prepaid costs	1,464,218
Capital assets - Net (Note 5)	<u>51,002,988</u>
Total assets	95,676,071
<b>Liabilities</b>	
Accounts payable	2,058,791
Accrued payroll and other liabilities	2,845,097
State aid anticipation note (Note 10)	1,270,000
Long-term liabilities (Note 7):	
Due within one year	3,354,148
Due in more than one year	<u>97,906,377</u>
Total liabilities	<u>107,669,005</u>
<b>Net Assets (Deficit)</b>	
Investment in capital assets - Net of related debt	(10,307,335)
Restricted - Debt service	53,563
Unrestricted	<u>(1,739,162)</u>
Total deficit	<u><u>\$ (11,992,934)</u></u>

# Allendale Public Schools

## Statement of Activities Year Ended June 30, 2008

	Program Revenues			Governmental Activities
				Net (Expense)
				Revenue and
				Changes in
	Expenses	Charges for Services	Operating Grants/ Contributions	Net Assets
<b>Functions/Programs</b>				
Primary government - Governmental activities:				
Instruction	\$ 11,873,032	\$ -	\$ 2,954,472	\$ (8,918,560)
Support services	6,662,700	-	-	(6,662,700)
Food services	612,053	319,168	259,598	(33,287)
Athletics	334,459	56,548	-	(277,911)
Community services	91,233	152,259	-	61,026
Interest on long-term debt	4,190,667	-	-	(4,190,667)
Bond issuance costs	118,800	-	-	118,800
Depreciation (unallocated)	462,511	-	-	(462,511)
Total primary government - Governmental activities	<u>\$ 24,345,455</u>	<u>\$ 527,975</u>	<u>\$ 3,214,070</u>	(20,603,430)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				1,995,457
Property taxes, levied for debt services				3,060,291
State aid not restricted to specific purposes				13,078,773
Interest and investment earnings				126,987
Other				<u>1,778,680</u>
Total general revenues				<u>20,040,188</u>
<b>Change in Net Assets (Deficit)</b>				(563,242)
<b>Net Assets (Deficit) - Beginning of year</b>				<u>(11,429,692)</u>
<b>Net Assets (Deficit) - End of year</b>				<u><b>\$ (11,992,934)</b></u>

# Allendale Public Schools

## Governmental Funds Balance Sheet June 30, 2008

	General Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments (Note 3)	\$ 1,309,791	\$ 38,711,210	\$ 80,738	\$ 40,101,739
Receivables - Net (Note 4)	3,038,936	-	46,437	3,085,373
Due from other funds (Note 6)	41,110	-	22,552	63,662
Inventories	-	-	21,753	21,753
Prepaid costs	180,959	-	-	180,959
Total assets	<u>\$ 4,570,796</u>	<u>\$ 38,711,210</u>	<u>\$ 171,480</u>	<u>\$ 43,453,486</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 293,460	\$ 1,767,599	\$ -	\$ 2,061,059
Accrued payroll	1,389,565	-	4,425	1,393,990
Accrued benefits	274,330	-	-	274,330
Accrued liabilities	365,618	-	-	365,618
State aid anticipation note	1,270,000	-	-	1,270,000
Due to other funds (Note 6)	22,552	26,021	12,821	61,394
Deferred revenue (Note 4)	21,164	-	46,437	67,601
Total liabilities	3,636,689	1,793,620	63,683	5,493,992
<b>Fund Balances</b>				
Reserved:				
Inventories	-	-	21,753	21,753
Prepays	180,959	-	-	180,959
Capital projects	-	36,917,590	-	36,917,590
Debt service	-	-	53,563	53,563
Unreserved - Undesignated, reported in:				
General Fund	753,148	-	-	753,148
Special Revenue Funds	-	-	32,481	32,481
Total fund balances	<u>934,107</u>	<u>36,917,590</u>	<u>107,797</u>	<u>37,959,494</u>
Total liabilities and fund balances	<u>\$ 4,570,796</u>	<u>\$ 38,711,210</u>	<u>\$ 171,480</u>	<u>\$ 43,453,486</u>



# Allendale Public Schools

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## Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets (Deficit) June 30, 2008

**Fund Balance - Total Governmental Funds** \$ 37,959,494

Amounts reported for governmental activities in the  
statement of net assets (deficit) are different because:

Capital assets used in governmental activities are not  
financial resources and are not reported in the  
governmental funds:

Cost of capital assets	\$62,069,586	
Accumulated depreciation	<u>(11,066,598)</u>	51,002,988

Other long-term assets are not available to pay current  
period expenditures and are therefore deferred  
in the governmental funds 67,601

Prepaid bond issuance costs are amortized over  
the life of the bonds and deferred in the  
governmental funds 607,899

Long-term liabilities are not due and payable in the  
current period and are not reported in the  
governmental fund:

Bonds payable included premium/discount	(101,932,626)	
Early retirement incentives	(170,390)	

Other assets are not capitalized in the governmental  
funds (deferred charges, net of amortization) 1,283,259

Accrued interest payable is not included as a liability  
in governmental funds (811,159)

**Net Assets - Governmental Activities** **\$ (11,992,934)**

# Allendale Public Schools

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2008

	General Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>				
Local sources	\$ 2,239,134	\$ 1,658,964	\$ 3,560,287	\$ 7,458,385
State sources	14,045,530	-	-	14,045,530
Federal sources	600,679	-	259,598	860,277
Interdistrict sources	1,387,036	-	-	1,387,036
Total revenue	18,272,379	1,658,964	3,819,885	23,751,228
<b>Expenditures</b>				
Current:				
Instruction	10,910,296	-	-	10,910,296
Support services	6,753,933	-	946,512	7,700,445
Debt service:				
Principal	140,745	14,121,456	2,690,000	16,952,201
Interest	16,604	-	4,245,722	4,262,326
Other	-	462,287	1,614	463,901
Capital outlay	-	10,070,464	-	10,070,464
Intergovernmental transfers	-	1,354,736	-	1,354,736
Total expenditures	17,821,578	26,008,943	7,883,848	51,714,369
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	450,801	(24,349,979)	(4,063,963)	(27,963,141)
<b>Other Financing Sources (Uses)</b>				
Premium on debt issued	-	1,557,569	-	1,557,569
Transfers in (Note 6)	-	-	1,284,543	1,284,543
Transfers out (Note 6)	(254,543)	-	(1,030,000)	(1,284,543)
Long-term debt issued	-	59,710,000	3,693,325	63,403,325
Total other financing sources (uses)	(254,543)	61,267,569	3,947,868	64,960,894
<b>Net Change in Fund Balances</b>	196,258	36,917,590	(116,095)	36,997,753
<b>Fund Balances - Beginning of year</b>	737,849	-	223,892	961,741
<b>Fund Balances - End of year</b>	<u>\$ 934,107</u>	<u>\$ 36,917,590</u>	<u>\$ 107,797</u>	<u>\$ 37,959,494</u>

# Allendale Public Schools

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2008**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 36,997,753</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	\$ (462,511)	
Capitalized capital outlay - Net of disposals and adjustments	<u>9,341,799</u>	8,879,288

Revenue is reported in the statement of activities at the time it is earned, without regard to timeliness of collection	(5,274)
---	---------

Bond proceeds are not reported as financing sources on the statement of activities	(63,625,769)
--	--------------

Bond issuance costs - Net of amortization	345,081
---	---------

Deferred charges reported as expenditures in the governmental funds are capitalized in the statement of activities - Net of amortization	(63,681)
--	----------

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	71,659
--	--------

Early retirement incentives are recorded when earned in the statement of activities; more was earned than paid out	(170,390)
--	-----------

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>17,008,091</u>
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<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ (563,242)</u></b>
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# Allendale Public Schools

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## **Fiduciary Fund Statement of Fiduciary Assets and Liabilities June 30, 2008**

	Student Activities <u>Agency Fund</u>
<b>Assets - Cash and investments</b>	<b><u>\$ 176,984</u></b>
<b>Liabilities</b>	
Due to student groups	\$ 174,716
Due to General Fund	<u>2,268</u>
 Total liabilities	 <b><u>\$ 176,984</u></b>

### **Note I - Summary of Significant Accounting Policies**

The accounting policies of Allendale Public Schools (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

#### **Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

#### **District-wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statement of net assets (deficit) and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's district-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**District-wide Financial Statements** - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

**Fund Financial Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting.

## **Note I - Summary of Significant Accounting Policies (Continued)**

The School District reports the following major governmental fund:

**General Fund** - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

Additionally, the School District reports the following fund types:

**Debt Service Funds** - The Debt Service Funds are used to record tax, interest, other revenue for payment of interest, principal, and other expenditures on the bond issues.

**Special Revenue Funds** - The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's Special Revenue Funds include the Food Services and Athletics Funds. Any operating deficit generated by these activities is the responsibility of the General Fund.

### **Assets, Liabilities, and Net Assets or Equity**

**Cash and Investments** - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax and other trade receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on July 1 and a special one-time levy for mills related to the 2002 bond issue took place in December. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

### Note I - Summary of Significant Accounting Policies (Continued)

**Inventories and Prepaid Costs** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both district-wide and fund financial statements.

**Restricted Assets** - The unspent bond proceeds and related interest of the Capital Projects Funds require amounts to be set aside for construction. These amounts have been classified as restricted assets.

**Capital Assets** - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the governmental column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building additions	20-50 years
Buses and other vehicles	7-10 years
Furniture and other equipment	5-20 years

**Early Retirement Incentives** - A liability for this amount is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included.

**Long-term Obligations** - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets (deficit). Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the term of the related debt.



### **Note 1 - Summary of Significant Accounting Policies (Continued)**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data/Reclassifications** - Comparative data is not included in the School District's financial statements.

### **Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, and object. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function (object) level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The School District did not have significant expenditure budget variances.

### **Note 2 - Stewardship, Compliance, and Accountability (Continued)**

**Capital Projects Fund Compliance** - The Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For this capital project, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

### **Note 3 - Deposits and Investments**

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District has designated 12 financial institutions for the deposits of its funds, but may use another financial institution provided that notification is made to the Board of Education.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

#### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$1,647,804 had \$1,302,469 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Note 3 - Deposits and Investments (Continued)****Custodial Credit Risk of Investments**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states that custodial credit risk will be minimized by diversifying the investment portfolio so that impact of potential losses from any one type of security or issuer will be minimized. The School District does not have investments with custodial credit risk.

**Interest Rate Risk**

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools; and limiting the average maturity in accordance with the School District's cash requirements.

**Credit Risk**

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

At year end, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund	\$ 38,918,138	Various	AAAm	S&P

# Allendale Public Schools

## Notes to Financial Statements June 30, 2008

### Note 3 - Deposits and Investments (Continued)

#### Concentration of Credit Risk

The School District places no limit on the amount the School District may invest in any one issuer.

#### Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's policy prohibit investment in foreign currency.

### Note 4 - Receivables

Receivables as of year end for the School District's individual major funds and the nonmajor funds in the aggregate are as follows:

	General Fund	Nonmajor and Other Funds	Total
Receivables:			
Taxes	\$ 96,032	\$ 46,437	\$ 142,469
Accounts	360,820	-	360,820
Intergovernmental	2,582,084	-	2,582,084
Net receivables	<u>\$ 3,038,936</u>	<u>\$ 46,437</u>	<u>\$ 3,085,373</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the deferred revenue associated with unavailable delinquent property taxes was \$67,601.

# Allendale Public Schools

## Notes to Financial Statements June 30, 2008

### Note 5 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2007	Reclassification and Adjustments	Additions	Disposals and Adjustments	Balance June 30, 2008
Capital assets not being depreciated - Land	\$ 1,125,006	\$ -	\$ 1,651,347	\$ -	\$ 2,776,353
Capital assets being depreciated:					
Land improvements	3,894,336	-	-	-	3,894,336
Building and building improvements	43,078,077	73,643	5,749,989	-	48,901,709
Buses and other vehicles	1,688,600	356,946	-	(339,848)	1,705,698
Furniture and equipment	<u>2,144,227</u>	<u>7,320</u>	<u>2,639,943</u>	<u>-</u>	<u>4,791,490</u>
Subtotal	50,805,240	437,909	8,389,932	(339,848)	59,293,233
Accumulated depreciation:					
Land improvements	1,545,009	-	194,717	-	1,739,726
Building and building improvements	6,088,607	581,109	212,568	-	6,882,284
Buses and other vehicles	1,079,826	57,906	55,226	-	1,192,958
Furniture and equipment	<u>1,093,104</u>	<u>199,358</u>	<u>-</u>	<u>(40,832)</u>	<u>1,251,630</u>
Subtotal	<u>9,806,546</u>	<u>838,373</u>	<u>462,511</u>	<u>(40,832)</u>	<u>11,066,598</u>
Net capital assets being depreciated	<u>40,998,694</u>	<u>(400,464)</u>	<u>7,927,421</u>	<u>(299,016)</u>	<u>48,226,635</u>
Net governmental capital assets	<u>\$ 42,123,700</u>	<u>\$ (400,464)</u>	<u>\$ 9,578,768</u>	<u>\$ (299,016)</u>	<u>\$ 51,002,988</u>

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

**Construction Commitments** - The School District has active construction projects at year end. At year end, the School District's commitment with contractors is as follows:

	Spent to Date	Remaining Commitment
2007 Building Fund	\$ 4,267,979	\$ 41,210,695

# Allendale Public Schools

## Notes to Financial Statements June 30, 2008

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From				Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Fiduciary Fund	
General Fund	\$ -	\$ 26,021	\$ 12,821	\$ 2,268	\$ 41,110
Nonmajor governmental funds	22,552	-	-	-	22,552
Total	<u>\$ 22,552</u>	<u>\$ 26,021</u>	<u>\$ 12,821</u>	<u>\$ 2,268</u>	<u>\$ 63,662</u>

Interfund balances from the General Fund represent Section 31D money owed to the Food Services Fund. Interfund balances to the General Fund represent retroactive pay amounts and reimbursed expenses. Interfund balances to the Fiduciary Fund represent transportation fees to be reimbursed.

### Interfund Transfers

Transfer In	Transfers Out		Total
	General Fund	Nonmajor Governmental Funds	
Nonmajor governmental funds	<u>\$ 254,543</u>	<u>\$ 1,030,000</u>	<u>\$ 1,284,543</u>

Transfers subsidized operations in Special Revenue Funds and includes redistribution of school bond loan fund proceeds in Debt Service Funds.

# Allendale Public Schools

## Notes to Financial Statements June 30, 2008

### Note 7 - Long-term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Notes and installment purchase agreements are also general obligations of the School District.

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds	\$ 40,330,000	\$ 59,710,000	\$ 2,690,000	\$ 97,350,000	\$ 3,115,000
Deferred amounts:					
Premium	363,740	1,557,569	71,877	1,849,432	-
Bond issuance cost	(262,818)	(462,377)	(117,296)	(842,491)	-
Durant Non-Plaintiff Bond	89,796	-	-	89,796	51,719
Total bonds payable	40,520,718	60,805,192	2,644,581	98,681,329	3,166,719
Installment purchase agreement	425,943	-	140,745	285,198	118,129
Notes - School bond loan	14,105,469	2,358,200	14,105,469	2,358,200	-
Early retirement incentives	-	209,472	39,082	170,390	69,300
Total governmental activities	<u>\$ 55,052,130</u>	<u>\$ 63,372,864</u>	<u>\$ 16,929,877</u>	<u>\$ 101,495,117</u>	<u>\$ 3,354,148</u>

Annual debt service requirements to maturity for the above governmental bond and note obligations are as follows:

	Principal	Interest	Total
2009	\$ 3,241,592	\$ 5,123,096	\$ 8,364,688
2010	3,782,801	4,991,421	8,774,222
2011	4,290,678	4,794,540	9,085,218
2012	4,799,730	4,582,620	9,382,350
2013-2017	24,655,193	17,489,608	42,144,801
2018-2022	17,235,000	11,674,797	28,909,797
2023-2027	15,360,000	7,958,164	23,318,164
2028-2032	14,400,000	4,549,993	18,949,993
2033-2037	9,960,000	1,525,000	11,485,000
Total	<u>\$ 97,724,994</u>	<u>\$ 62,689,239</u>	<u>\$ 160,414,233</u>

# Allendale Public Schools

## Notes to Financial Statements June 30, 2008

### Note 7 - Long-term Debt (Continued)

#### Governmental Activities

General obligation bonds consist of the following:

\$13,075,000 2002 School Building and Site Bonds due in annual installments of \$675,000 to \$700,000 through May 1, 2013; interest at 3.875% to 5.125%	\$ 3,475,000
\$6,795,000 2001 Refunding Bonds due in annual installments of \$755,000 to \$770,000 through May 1, 2013; interest at 4.20% to 4.65%	3,835,000
\$200,000 1998 Refunding Bonds due in annual installments of \$50,000 through May 1, 2009; interest at 4.625%	50,000
\$7,340,000 2005 Refunding Bonds due in annual installments of \$30,000 to \$1,185,000 through May 1, 2027; interest at 3.50% to 4.30%	7,130,000
\$7,500,000 2006 Refunding Bonds due in annual installments of \$15,000 to \$1,120,000 through May 1, 2032; interest at 3.50% to 4.35%	7,395,000
\$16,935,000 2007 Refunding Bonds due in annual installments of \$70,000 to \$1,915,000 through May 1, 2026; interest at 4.00% to 5.00%	16,865,000
\$45,475,000 2007 School Building and Site Bonds due in annual installments of \$1,035,000 to \$2,160,000 through May 1, 2037; interest at 4.00% to 5.50%	44,475,000
\$14,235,000 2007 Refunding Bonds due in annual installments of \$485,000 to \$2,525,000 through May 1, 2016; interest at 5.852%	<u>14,125,000</u>
Total bonded debt	<u>\$ 97,350,000</u>



# Allendale Public Schools

## Notes to Financial Statements June 30, 2008

### Note 7 - Long-term Debt (Continued)

**Durant Non-Plaintiff Bond** - Included in governmental activities general obligation bonds is the Durant Non-Plaintiff Bond. Annual total payments (principal and interest) associated with this bond are funded by the State of Michigan via specifically appropriated state aid and will not require any School District debt levy or utilization of any other School District financial resources. The Durant Non-Plaintiff Bond is comprised of the following issue per the May 10, 2007 revised payment schedule:

- \$152,078 School Improvement Bond Issue, Series 1998, due in annual installments of \$8,866 to \$51,719 through May 15, 2013; interest at 4.8 percent

Notes consist of the following:

Date	Original Amount	Due Date	Interest Rate	Remaining to Maturity	
				Interest	Principal
10/17/03	\$ 112,242	11/01/08	3.7%	\$ 833	\$ 22,450
10/22/04	121,451	10/22/09	3.5%	2,514	48,580
9/22/05	356,946	9/22/10	3.8%	16,405	214,168
Total	<u>\$ 590,639</u>			<u>\$ 19,752</u>	<u>\$ 285,198</u>

Other governmental activities long-term obligations include the following:

School bond loan \$ 2,358,200

**School Bond Loan** - The school bond loan payable represents notes payable to the State of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be determined by the State Administrative Board. Interest, at 4.38456 percent, has been assessed at once during the year ended June 30, 2008. Repayment is required when the millage rate necessary to cover the annual bonded debt service falls below 7 mills. The School District is required to levy 7 mills and repay to the State any excess of the amount levied over the bonded debt service requirements. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the School District, no provision for repayment has been included in the above amortization schedule.

### **Note 7 - Long-term Debt (Continued)**

#### **Advance and Current Refundings**

In prior years, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2008, \$30,105,000 of bonds outstanding is considered defeased.

### **Note 8 - Risk Management**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for teachers' medical benefits claims and participates in the SET-SEG risk pool for all other claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

### **Note 9 - Defined Benefit Pension Plan and Postemployment Benefits**

**Plan Description** - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

### **Note 9 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)**

**Pension Benefits** - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rate was 11.19 percent of covered payroll for the period from July 1, 2007 through September 30, 2007 and 10.17 percent for the period from October 1, 2007 through June 30, 2008. Basic plan members make no contributions, but member investment plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's required and actual contributions to the plan for the years ended June 30, 2008, 2007, and 2006 were \$1,075,505, \$1,046,083, and \$916,066, respectively.

**Postemployment Benefits** - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 6.55 percent of covered payroll for the period from July 1, 2007 through September 30, 2007 and 6.55 percent for the period from October 1, 2007 through June 30, 2008. The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2008, 2007, and 2006 were \$676,355, \$632,374, and \$636,206, respectively.

### **Note 10 - State Aid Anticipation Note**

On August 17, 2007, Allendale Public Schools borrowed \$1,270,000 in a state aid anticipation note. The note bears interest at 3.68 percent and is due on August 18, 2008. At June 30, 2008, Allendale Public Schools had accrued interest of \$40,634 on this note.

### **Note 11 - Subsequent Events**

On August 20, 2008, the School District borrowed \$1,850,000 at 1.70 percent annual interest on a state aid anticipation note. The note, plus interest, is due August 20, 2009.

## **Required Supplemental Information**

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# Allendale Public Schools

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 2,305,804	\$ 2,315,898	\$ 2,239,134	\$ (76,764)
State sources	13,683,612	13,929,682	14,045,530	115,848
Federal sources	595,713	613,068	600,679	(12,389)
Interdistrict sources	1,365,857	1,419,500	1,387,036	(32,464)
Total revenue	17,950,986	18,278,148	18,272,379	(5,769)
<b>Expenditures</b>				
Shared Time - Allendale Christian School - Elementary	66,786	66,056	86,337	20,281
Evergreen Elementary School	1,855,624	1,948,776	1,923,521	(25,255)
Springview Elementary School	1,770,455	1,871,673	1,795,511	(76,162)
Shared Time - Allendale Christian School - Middle	16,938	17,432	-	(17,432)
Middle school	2,368,297	2,412,571	2,425,659	13,088
High school	2,724,830	2,725,523	2,736,158	10,635
New Options Alternative High School	242,346	258,301	242,191	(16,110)
Michigan school readiness program preschool	54,861	54,861	46,854	(8,007)
Summer school programs, driver education programs	32,306	33,459	18,939	(14,520)
Special education	1,377,135	1,318,381	1,343,113	24,732
Compensatory education and ESL	309,258	306,843	298,198	(8,645)
Pupil counseling	201,142	200,642	202,099	1,457
Health services	40,162	38,064	36,933	(1,131)
Psychological services	102,688	98,436	97,131	(1,305)
Speech pathology and audiology services	148,408	187,590	187,029	(561)
Social work services	204,533	202,037	201,821	(216)
Student safety - Lunch, playground, and crossing guard monitors	55,260	64,077	62,770	(1,307)
Improvement of instruction - Curriculum	52,172	51,480	47,299	(4,181)
Educational media services	123,934	121,291	109,965	(11,326)
Educational television	1,050	1,050	-	(1,050)
Supervision and direction of instructional staff	305,763	314,766	281,575	(33,191)
Other instruction staff services - Theatre	44,264	43,834	62,191	18,357
Board of Education	119,500	97,500	94,505	(2,995)
Executive administration	278,007	315,503	299,588	(15,915)
Office of the principal	1,196,763	1,167,680	1,162,097	(5,583)
Fiscal services	324,094	343,800	342,646	(1,154)
Other business services	111,606	91,153	88,774	(2,379)
Operations and maintenance services	2,106,027	2,112,049	2,115,544	3,495
Security services	35,000	35,000	27,482	(7,518)
Pupil transportation services	742,758	758,631	775,217	16,586
IDEA-CIMS Grant	-	-	52	52
Staff/Personnel services	26,272	26,127	50,108	23,981
Support services technology	430,637	455,368	407,946	(47,422)
Leisure enrichment programs	14,661	14,661	10,124	(4,537)
Custody and care of children	69,612	76,716	84,852	8,136
Payments to other public schools in Michigan	17,500	17,500	-	(17,500)
Debt service - Current portion due	158,000	158,000	157,349	(651)
Total expenditures	17,728,649	18,006,831	17,821,578	(185,253)

# Allendale Public Schools

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Other Financing Uses</b> - Transfers out	\$ (207,173)	\$ (262,500)	\$ (254,543)	\$ 7,957
<b>Net Change in Fund Balance</b>	15,164	8,817	196,258	187,441
<b>Fund Balance</b> - July 1, 2007	737,849	737,849	737,849	-
<b>Fund Balance</b> - June 30, 2008	<u>\$ 753,013</u>	<u>\$ 746,666</u>	<u>\$ 934,107</u>	<u>\$ 187,441</u>

## **Other Supplemental Information**

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# Allendale Public Schools

	Special Revenue Funds		Debt		
	Food		1998	2001	2002
	Services	Athletics	Issue	Issue	Issue
<b>Assets</b>					
Cash and investments	\$ 13,796	\$ 1,154	\$ 7,141	\$ 12,295	\$ 13,774
Receivables - Net - Taxes	-	-	39,234	7,203	-
Due from other funds	22,552	-	-	-	-
Inventories	21,753	-	-	-	-
Total assets	<u>\$ 58,101</u>	<u>\$ 1,154</u>	<u>\$ 46,375</u>	<u>\$ 19,498</u>	<u>\$ 13,774</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Salaries and other accrued liabilities	\$ 4,425	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	596	1,943	899	4,210
Deferred revenue	-	-	39,234	7,203	-
Total liabilities	4,425	596	41,177	8,102	4,210
<b>Fund Balances</b>					
Reserved:					
Inventories	21,753	-	-	-	-
Debt service	-	-	5,198	11,396	9,564
Unreserved - Undesignated, reported in Special Revenue Funds	31,923	558	-	-	-
Total fund balances	<u>53,676</u>	<u>558</u>	<u>5,198</u>	<u>11,396</u>	<u>9,564</u>
Total liabilities and fund balances	<u>\$ 58,101</u>	<u>\$ 1,154</u>	<u>\$ 46,375</u>	<u>\$ 19,498</u>	<u>\$ 13,774</u>



**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2008**

Service Funds

2005 Issue	2006 Issue	2007 Issue	2007 (A) Debt	2007 (B) Debt	Durant Non- Plaintiff Issue	Total
\$ 6,867	\$ 6,716	\$ 8,799	\$ 9,374	\$ 822	\$ -	\$ 80,738
-	-	-	-	-	-	46,437
-	-	-	-	-	-	22,552
-	-	-	-	-	-	21,753
<b>\$ 6,867</b>	<b>\$ 6,716</b>	<b>\$ 8,799</b>	<b>\$ 9,374</b>	<b>\$ 822</b>	<b>\$ -</b>	<b>\$ 171,480</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,425
3,379	881	913	-	-	-	12,821
-	-	-	-	-	-	46,437
3,379	881	913	-	-	-	63,683
-	-	-	-	-	-	21,753
3,488	5,835	7,886	9,374	822	-	53,563
-	-	-	-	-	-	32,481
3,488	5,835	7,886	9,374	822	-	107,797
<b>\$ 6,867</b>	<b>\$ 6,716</b>	<b>\$ 8,799</b>	<b>\$ 9,374</b>	<b>\$ 822</b>	<b>\$ -</b>	<b>\$ 171,480</b>

# Allendale Public Schools

	Special Revenue Funds		Debt		
	Food Services	Athletics	1998 Debt	2001 Debt	2002 Debt
<b>Revenue</b>					
Local	\$ 322,488	\$ 99,953	\$ 1,383	\$ 970,694	\$ 750,763
Federal	259,598	-	-	-	-
Total revenue	582,086	99,953	1,383	970,694	750,763
<b>Expenditures</b>					
Current:					
Food services	612,053	-	-	-	-
Athletics	-	334,459	-	-	-
Debt service:					
Principal	-	-	50,000	740,000	675,000
Interest	-	-	4,625	199,495	163,675
Other expenditures	-	-	138	138	125
Total expenditures	612,053	334,459	54,763	939,633	838,800
<b>Excess of Revenue Over (Under) Expenditures</b>	(29,967)	(234,506)	(53,380)	31,061	(88,037)
<b>Other Financing Sources (Uses)</b>					
Transfers in	19,543	235,000	-	-	-
Transfers out	-	-	-	(515,000)	(255,000)
Long-term debt issued	-	-	36,645	449,393	296,891
Total other financing sources (uses)	19,543	235,000	36,645	(65,607)	41,891
<b>Net Change in Fund Balances</b>	(10,424)	494	(16,735)	(34,546)	(46,146)
<b>Fund Balances - Beginning of year</b>	64,100	64	21,933	45,942	55,710
<b>Fund Balances - End of year</b>	<b>\$ 53,676</b>	<b>\$ 558</b>	<b>\$ 5,198</b>	<b>\$ 11,396</b>	<b>\$ 9,564</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures,**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2008**

Service Funds

2005 Debt	2006 Debt	2007 Debt	2007 (A) Debt	2007 (B) Debt	Durant Non-Plaintiff Fund	Total
\$ 281,968	\$ 302,319	\$ 836,824	\$ (6,118)	\$ 13	\$ -	\$ 3,560,287
-	-	-	-	-	-	259,598
281,968	302,319	836,824	(6,118)	13	-	3,819,885
-	-	-	-	-	-	612,053
-	-	-	-	-	-	334,459
30,000	15,000	70,000	1,000,000	110,000	-	2,690,000
282,490	313,252	744,719	1,861,784	675,682	-	4,245,722
225	225	113	325	325	-	1,614
312,715	328,477	814,832	2,862,109	786,007	-	7,883,848
(30,747)	(26,158)	21,992	(2,868,227)	(785,994)	-	(4,063,963)
-	-	-	770,000	260,000	-	1,284,543
-	-	(260,000)	-	-	-	(1,030,000)
18,178	15,742	242,059	2,107,601	526,816	-	3,693,325
18,178	15,742	(17,941)	2,877,601	786,816	-	3,947,868
(12,569)	(10,416)	4,051	9,374	822	-	(116,095)
16,057	16,251	3,835	-	-	-	223,892
<b>\$ 3,488</b>	<b>\$ 5,835</b>	<b>\$ 7,886</b>	<b>\$ 9,374</b>	<b>\$ 822</b>	<b>\$ -</b>	<b>\$ 107,797</b>

# Allendale Public Schools

June 30	Durant Principal	2007 Issue Principal	SLRF Refunding Issue	2007 Issue Principal	2006 Issue Principal
2009	\$ 51,719	\$ 1,035,000	\$ 485,000	\$ 70,000	\$ 15,000
2010	8,866	1,070,000	925,000	75,000	15,000
2011	9,288	1,105,000	1,435,000	75,000	20,000
2012	9,730	1,140,000	1,975,000	80,000	20,000
2013	10,193	1,175,000	2,145,000	85,000	35,000
2014	-	1,210,000	2,330,000	1,640,000	20,000
2015	-	1,245,000	2,525,000	1,715,000	20,000
2016	-	1,280,000	2,305,000	1,790,000	20,000
2017	-	1,315,000	-	1,855,000	25,000
2018	-	1,350,000	-	1,915,000	25,000
2019	-	1,385,000	-	1,890,000	25,000
2020	-	1,420,000	-	790,000	25,000
2021	-	1,455,000	-	780,000	30,000
2022	-	1,490,000	-	760,000	30,000
2023	-	1,525,000	-	745,000	30,000
2024	-	1,560,000	-	735,000	35,000
2025	-	1,595,000	-	1,080,000	35,000
2026	-	1,630,000	-	785,000	325,000
2027	-	1,665,000	-	-	1,110,000
2028	-	1,700,000	-	-	1,115,000
2029	-	1,735,000	-	-	1,120,000
2030	-	1,770,000	-	-	1,110,000
2031	-	1,810,000	-	-	1,100,000
2032	-	1,850,000	-	-	1,090,000
2033	-	1,890,000	-	-	-
2034	-	1,930,000	-	-	-
2035	-	1,970,000	-	-	-
2036	-	2,010,000	-	-	-
2037	-	2,160,000	-	-	-
	<b>\$ 89,796</b>	<b>\$ 44,475,000</b>	<b>\$ 14,125,000</b>	<b>\$ 16,865,000</b>	<b>\$ 7,395,000</b>
Principal payments due	May 15	May 1	May 1	May 1	May 1
Interest payments due	May 15	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1
Interest rate	4.8%	4.00 % to 5.50%	5.852%	4.00% to 5.00%	3.50% to 4.35%
Original issue	<b>\$ 152,078</b>	<b>\$ 45,475,000</b>	<b>\$ 14,235,000</b>	<b>\$ 16,935,000</b>	<b>\$ 7,500,000</b>

**Other Supplemental Information**  
**Schedule of Bonded Indebtedness**  
**Year Ended June 30, 2008**

2005 Issue Principal	2002 Issue Principal	2001 Issue Principal	1998 Issue Principal
\$ 30,000	\$ 675,000	\$ 755,000	\$ 50,000
80,000	700,000	770,000	-
105,000	700,000	770,000	-
105,000	700,000	770,000	-
110,000	700,000	770,000	-
-	-	-	-
220,000	-	-	-
110,000	-	-	-
-	-	-	-
-	-	-	-
340,000	-	-	-
1,185,000	-	-	-
1,175,000	-	-	-
1,165,000	-	-	-
1,155,000	-	-	-
1,145,000	-	-	-
70,000	-	-	-
70,000	-	-	-
65,000	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<b>\$ 7,130,000</b>	<b>\$ 3,475,000</b>	<b>\$ 3,835,000</b>	<b>\$ 50,000</b>
May 1	May 1	May 1	May 1
May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1
3.50% to 4.30%	3.875% to 5.125%	4.20% to 4.65%	4.625%
<b>\$ 7,340,000</b>	<b>\$ 13,075,000</b>	<b>\$ 6,795,000</b>	<b>\$ 200,000</b>

# **Allendale Public Schools**

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**Federal Awards  
Supplemental Information  
June 30, 2008**

# Allendale Public Schools

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**Independent Auditor's Report**

To the Board of Education  
Allendale Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Allendale Public Schools as of and for the year ended June 30, 2008, which collectively comprise Allendale Public Schools' basic financial statements, and have issued our report thereon dated October 13, 2008. Those basic financial statements are the responsibility of the management of Allendale Public Schools. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Allendale Public Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

October 13, 2008



Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Board of Education  
Allendale Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Allendale Public Schools as of and for the year ended June 30, 2008, which collectively comprise Allendale Public Schools' basic financial statements, and have issued our report thereon dated October 13, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Allendale Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Allendale Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Allendale Public Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

To the Board of Education  
Allendale Public Schools

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Allendale Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

October 13, 2008

## Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Education  
Allendale Public Schools

### Compliance

We have audited the compliance of Allendale Public Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The major federal programs of Allendale Public Schools are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Allendale Public Schools' management. Our responsibility is to express an opinion on Allendale Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Allendale Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Allendale Public Schools' compliance with those requirements.

In our opinion, Allendale Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

To the Board of Education  
Allendale Public Schools

## **Internal Control Over Compliance**

The management of Allendale Public Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Allendale Public Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

October 13, 2008

# Allendale Public Schools

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2008
Clusters:								
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:								
National School Breakfast Program - 2007-2008	10.553	\$ 32,009	\$ -	\$ -	\$ -	\$ 32,009	\$ 32,009	\$ -
National School Lunch Program - 2007-2008	10.555	189,346	-	-	-	189,346	189,346	-
Total Child Nutrition Cluster		221,355	-	-	-	221,355	221,355	-
Special Education Cluster - U.S. Department of Education - Passed through the Ottawa Area ISD:								
IDEA - Flowthrough - Project number 0708-070450	84.027A	371,531	-	-	-	185,766	371,531	185,765
Preschool Incentive - Project number 0708-070460	84.173A	11,870	-	-	-	5,935	11,870	5,935
Total Special Education Cluster		383,401	-	-	-	191,701	383,401	191,700
Medicaid Cluster - U.S. Department of Health and Human Services - Passed through the Ottawa Area ISD - Medical Assistance Program - Medicaid Outreach - Transportation - 2007-2008								
	93.778	6,606	-	-	-	1,757	6,606	4,849
Total clusters		611,362	-	-	-	414,813	611,362	196,549

See Notes to Schedule of Expenditures  
of Federal Awards.

# Allendale Public Schools

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2008
Other Federal Awards:								
U.S. Department of Education:								
Passed through the Michigan Department of Education:								
Title I, Part A - Project number 081530-0708	84.010	\$ 137,191	\$ -	\$ -	\$ -	\$ 50,000	\$ 137,191	\$ 87,191
Title V, Part A - Project number 080250-0708	84.298	436	-	-	-	-	436	436
Title II, Part D, Enhancing Education Through Technology - Project number 084290-0708	84.318	1,289	-	-	-	500	1,289	789
Title II, Part A, Improving Teacher Quality - Project number 080520-0708	84.367	59,276	-	-	-	20,000	59,276	39,276
Total noncluster programs passed through the Michigan Department of Education		198,192	-	-	-	70,500	198,192	127,692
Passed through the Ottawa Area ISD - Safe and Drug-free Schools and Communities - Current year - Project number 082860-0708	84.186	4,891	-	-	-	1,188	4,891	3,703
Passed through Zeeland Public Schools - English Language Acquisition - Title III, Limited English Proficiency - Project number 070580-0708	84.365	7,589	-	-	-	7,589	7,589	-
U.S. Department of Agriculture - Passed through the Michigan Department of Education - Food Distribution - Entitlement commodities - 2007-2008	10.550	38,243	-	-	-	38,243	38,243	-
Total federal awards		<u>\$ 860,277</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 532,333</u>	<u>\$ 860,277</u>	<u>\$ 327,944</u>

See Notes to Schedule of Expenditures  
of Federal Awards.

# **Allendale Public Schools**

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## **Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2008**

### **Note 1 - Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Allendale Public Schools and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### **Note 2 - Noncash Assistance**

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

### **Note 3 - Grant Section Auditor's Report**

Management has utilized Form R-7120 and the Cash Management System (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

# Allendale Public Schools

## Schedule of Findings and Questioned Costs Year Ended June 30, 2008

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes      X   No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.027	Special Education Cluster - IDEA
84.173	Special Education Cluster - Preschool Incentive

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   Yes    \_\_\_\_\_ No



# Allendale Public Schools

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### Section II - Financial Statement Audit Findings

Reference Number	Findings
	None

### Section III - Federal Program Audit Findings

Reference Number	Findings
	None

# **Allendale Public Schools**

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**Report to the Board of Education  
June 30, 2008**

**Plante & Moran, PLLC**

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To the Board of Education  
Allendale Public Schools

We have recently completed our audit of the basic financial statements of Allendale Public Schools (the "School District") for the year ended June 30, 2008. In addition to our audit report, we are providing the following required audit communication, recommendations, and informational comments which impact the School District:

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We are grateful for the opportunity to be of service to Allendale Public Schools. Should you have any questions regarding the comments in this report, please do not hesitate to call.

*Plante & Moran, PLLC*

October 13, 2008

## **Results of the Audit**

October 13, 2008

To the Board of Education  
Allendale Public Schools

We have audited the financial statements of Allendale Public Schools for the year ended June 30, 2008 and have issued our report thereon dated October 13, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated July 15, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the School District. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the School District's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the School District's compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention.

We are also obligated to communicate certain matters related to our audit to those responsible for the governance of the School District, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our letter dated September 2008.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008.

We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the reserve for commitments and contingent liabilities, including the estimate for self-insurance reserves.

Management's estimate of the self-insurance reserve is based on historical claims and payment information. We evaluated the key factors and assumptions used to develop the self-insurance reserve in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No uncorrected misstatements of the financial statements were noted.

### ***Disagreements with Management***

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management's Representations***

We have requested certain representations from management that are included in the management representation letter dated October 13, 2008.

### ***Management's Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

In the normal course of our professional association with the School District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the School District, and business plans and strategies that may affect the risks of material misstatement. As required by OMB Circular A-133, we have also completed an audit of the federal programs administered by the School District. The results of that audit are provided to the Board of Education in our report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133 dated October 13, 2008.

To the Board of Education  
Allendale Public Schools

October 13, 2008

This information is intended solely for the use of the Board of Education, the finance committee, and management of Allendale Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink, appearing to read "Robert Brazda", with a long horizontal flourish extending to the right.

Bob Brazda, CPA

## **Other Recommendations**

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### Information Technology

As part of our audit process, we assessed information technology (IT) general controls as part of our overall assessment of internal controls. Resulting from that assessment, we have identified opportunities for the School District to strengthen IT-related internal controls. The primary goal of internal control is to provide reasonable (as opposed to absolute) protection to the School District and its assets and financial information. We appreciate that the School District has limited resources and must look to maximize the benefits from the resources it utilizes. With that in mind, we offer recommendations for the following information technology control features for the School District's consideration as it continues to improve its operations:

#### New User Access

An informal process (i.e., phone call, e-mails, etc.) for notifying new employees/users to IT is in place. A formal process through a paper or electronic form that documents access required and necessary approvals should be put in place. IT should document the access granted. The forms should be retained either by IT or HR for the duration of the employee's/user's employment. A formalized process reduces the risk of confusion when granting access to new users.

#### Access Termination

We recommend that this process be documented as you would a new hire. A form should be submitted to IT and IT then denotes their changing the staff member's access. IT should be notified immediately of an involuntary termination and notified in advance of an anticipated/voluntary termination.

#### Access Changes

An informal process (i.e., phone call, e-mails, etc.) for notifying changes in employee responsibilities is in place. A formal process through a paper or electronic form that documents access changes and necessary approvals should be put in place. IT should document the new access granted and prior access removed. The forms should be retained either by IT or HR for the duration of the employee's/user's employment. A formalized process will ensure that an employee's access is commensurate with the employee's job function and does not allow for conflicting access.

#### User Access Review

Management should implement a process to review user access at least annually. This is best achieved when the review is performed by someone other than IT (as they administer access). Access reports should be provided by IT to each supervisor or HR for review of access. Any exceptions should be clearly documented with IT remediation and retained for the duration of the audit.

# **Allendale Public Schools**

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## **Other Recommendations (Continued)**

### **Segregation of Duties and Change Management**

We do understand this is a small organization; however, individuals with administrative access (i.e., access to administer access, upload new versions, etc.) should not have access to post transactions in the financial systems. This allows for proper segregation of duties and ensures that user access and accountability controls are not compromised. If it is necessary (due to lack of staff) to allow a user with both levels of access, the activity's transactional access should be logged and independently reviewed.

### **Perimeter Controls**

Firewall logs should be reviewed at least daily or weekly to identify any unusual activity or unauthorized attempts to the network.

### **Network Authentication Controls - Passwords**

For passwords, we recommend a password length of seven or more; client response indicates there are no current minimums. We recommend a password expiration of a maximum of 90 days; client response indicates there currently are no expirations. We also recommend the use of password complexity. We recommend a maximum of three unsuccessful log-in attempts and a 15-30 minute time-out after the third unsuccessful log-in attempt.

### **Information Security Program**

If not already formalized, management should develop an information security program to document and communicate the policies and procedures that end-users need to follow and adhere to when using the organization's information systems. This allows for proper use of the organization's IT resources.

Once established, all users should be required to sign and acknowledge that they have read and understood the information security program. This acknowledgement should be signed annually and retained in the employee's personnel file.

If any third parties have network access then, like employees, all third parties accessing the organization's information systems should follow the information security program. Prior to giving them access, third parties should be required to sign the information security program and confidentiality agreement.

### **Backup Control Procedures**

We understand the client comments about previous backup tapes failures; however, if replacement of the defective system is not deemed practical, then the current and future plan of using an external hard-drive should be treated in the same manner as back-up tapes. That is, they should be rotated to an off-site location at least five miles away to protect them from any disaster at the primary location. They should be transported in a protected case and maintained in the proper environment. If external hard-drives continue to be used, they should still be tested periodically to ensure needed files can be recovered from them.

### **Physical Security**

We understand that smaller organizations may not have the ability to segregate their servers but, if at all possible, they should be maintained in a protected, locked area. We also recommend, if possible, that smoke detectors be extended to this area and that properly rated fire extinguishers be installed as well.

## **Informational**

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### State Aid Issues

#### 2008/2009

For 2008/2009, the governor and Legislature continued to work through the State's budget issues. Once again, schools were asked to establish budgets without knowing the level of funding to be provided by the State. In July 2008, a compromise was reached.

#### Foundation Allowance

The budget agreement provides for a \$106 increase (1.42 percent increase) in the School District's foundation allowance. As part of the agreement, the State continued with its sliding scale equity payment concept within the foundation formula. The base foundation increase is \$56 per pupil. The lowest funded districts receive an additional \$56 per pupil. The equity payment is received by districts with a foundation allowance below \$8,489.

#### Retirement Rate

The 2008/2009 retirement rate has been determined. The rate for the fiscal year beginning October 1, 2008 will be 16.54 percent

#### Kindergarten Full-funding "Intent" Language

As part of the budget plan, the amendments to the State Aid Act include "intent language" to move toward a full-day kindergarten requirement. Essentially the language provides that, beginning in fiscal year 2009-2010, half-day developmental kindergarten programs would be funded at 50 percent (current law fully funds those programs). In addition, kindergarten programs would be fully funded in fiscal year 2010-2011 if they operated for 60 percent of a day and fully funded in fiscal year 2011-2012 if they operated for 70 percent of a day.

#### 21st Century Schools

The amendments to the State Aid Act also provide resources with a focus on increasing graduation rates. Grants of up to \$3.0 million would be made available to districts with less than a 70 percent graduation rate, as long as the district matched the grant funds. The district would have to graduate at least 80 percent of its students by the third year, and 80 percent of those students would have to go on to postsecondary education, or the district would have to return 50 percent of the grant.

As the State's budget year moves forward, IT will monitor the revenue intake with periodic revenue-estimating conferences. State law requires that the appropriations cannot exceed revenue estimates. As a result, it is possible there could be reductions to district funding if the State is not able to generate the funding levels identified in the May 2008 revenue-estimating conference.

### Public Act 106 of 2007

In October 2007, the State of Michigan enacted the Public Employees Health Benefit Act. This act was intended to promote greater opportunities for public school districts to control the escalating costs of health benefits provided to district staff. The act provides for changes in three areas:

- Mandates solicitation of competitive bids for health insurance at least once every three years, or when a plan is enacted or substantially modified
- Mandates the release of individual district claims data by existing providers
- Allows for districts to form and participate in health insurance pools

The act is not intended to replace a district's collective bargaining activities, but has created many more alternatives to the programs currently used in most districts. We encourage you to explore the cost-saving options now available. We would be happy to assist you in evaluating your best options to provide optimal health coverage for your staff at competitive prices.

### Michigan Business Tax Changes Impacting Public Schools

The State of Michigan has recently replaced the Michigan single business tax with the new Michigan business tax. Two provisions of the new MBT will impact K-12 funding.

The MBT expands the existing community foundation credit to include educational foundations. If your educational foundation meets certain specified criteria, business donors can receive an MBT credit equal to 50 percent of their contribution, limited to 5 percent of the donor's tax liability or \$5,000. This provision will provide tax incentives to businesses to support educational foundations, and, as a result, could lead to enhanced funding to the district.

The MBT also provides for personal property tax relief to businesses. Businesses will receive a 24 mill reduction on industrial personal property, and a 12 mill reduction on commercial personal property. Most districts will experience a substantial reduction in personal property tax receipts. To offset this reduction, the MBT requires the State to make specific payments to the School Aid Fund. It remains uncertain exactly how these funding changes will impact individual districts, and the resulting cash flow may be delayed as the payments migrate to the 11 monthly state aid payments. We encourage you to closely monitor these changes and adjust your budgeting and cash flow plans accordingly.

### Recent IRS Changes to Deferred Compensation Rules

The IRS recently announced a change in position surrounding staff who choose to be paid over a 12-month period rather than over the shorter school year. Under the change, the employee will not be considered to have a “deferred compensation” arrangement if:

- The payment of any recurring compensation is not deferred beyond the last day of the 13th month following the beginning of the school year; and
- The amount deferred from one taxable year to the next is not more than the general dollar deferral limit in effect under Code Section 402(g) (currently, \$15,500 in 2008) for the calendar year in which the school year begins.
- Prior to this notice, the IRS had taken the position that if an employee elected to be paid over a 12-month period rather than over the shorter school year, the employee had deferred compensation. As a result, both the school district and the employee needed to comply with the requirements of Code Section 409A, which governed deferred compensation arrangements.

The result of this new notice will “eliminate the possibility of additional tax under 457(f) and 409 for most teachers and schools,” according to the IRS. Taxpayers can rely on Notice 2008-62 immediately, “beginning with the first taxable year that includes July 1, 2008.”

### 403(b) Annuity Plans

The IRS has finalized regulations that will require schools to take more responsibility in the operation and compliance of their 403(b) arrangements, including operating the plans under a written document. The regulations have a delayed effective date of January 1, 2009. Districts will want to carefully balance the degree of involvement versus delegation as they implement a compliance strategy. It will be important to establish a district plan document and implement vendor agreements that establish the responsibilities of the School District and the vendor to eliminate confusion and provide a compliance road map. Watch for updates in *Plante & Moran's School Advisor* or in an *Alert* publication.

Currently, the IRS is reviewing 403(b) plans for compliance with the universal availability eligibility requirements. The universal availability rule generally requires that all employees have the right to make salary deferral contributions to the 403(b) plan, with few exceptions. Further, the final regulations reduce the number of exemptions from this requirement.

Effective in 2006, 403(b) arrangements can include a Roth contribution feature. Roth contributions are after-tax contributions that provide for tax-free withdrawals of contributions and earnings if certain requirements are met. The IRS has not yet issued comprehensive Roth 403(b) guidance but, once issued, it is likely that vendors will be proactive in using this feature to initiate a 403(b) marketing effort.

### Fund Balance

During the 2007/2008 fiscal year, the School District continued to face a lower level of funding increase provided by the State of Michigan. This fact and the likely lower than inflation level expected for 2008/2009 continues to put pressure on the operating budget and fund equity.

During the 2007/2008 school year, the School District's General Fund revenue exceeded expenditures by \$196,258. This resulted in increasing the General Fund equity to \$934,107 at June 30, 2008. Especially in light of the state's struggling economy, we feel that it is important for the School District to maintain its fund equity at an appropriate level. The benefit to the District of maintaining appropriate fund equity is the ability to meet unforeseen circumstances, like the implementation of State Aid proration, without significantly affecting the level of programs for the year. This gives the School District time to work out financial changes without the need for sudden or drastic reactions to adverse circumstances. The need for fund equity will continue to be important due to the funding caps imposed by school finance reform, as experienced over the last few years, continuing concerns over the financial health of the School Aid Fund, and continued cash flow concerns due to the receipt of over 18 percent of the School District's state aid after the school year has ended.

Fund balance goals are often stated in terms of a percentage of total expenditures. As a point of reference, the statewide average for school districts at June 30, 2007 (excluding Detroit) is approximately 13.34 percent of expenditures. Fund equity of 5.5 percent of expenditures would approximately equal the School District's average accounts payable and payroll for a three-week period, while 11 percent would approximately equal six weeks. Allendale Public Schools' fund equity percentage is 7.9 percent and equals approximately four weeks of operation.

Especially in light of the challenges the State is facing to fund public education, as part of the School District's goal setting for the upcoming year, the Board of Education should consider including a statement regarding (continue to focus on) the level of General Fund balance that the board wishes to maintain. Once such a goal is determined, each succeeding year's budget should include a provision to accomplish the School District's desired fund balance level. Clearly, the School District will continue to face difficult budget challenges in 2008/2009. Given the continued uncertainties with state funding, budget planning and fund balance management will continue to be essential elements for School District success.



### Bond Audits

The School District's (recent) bond issue is subject to the Michigan Department of Treasury's *Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan*. This bulletin outlines specific auditing and reporting requirements related to your bond issue(s). The risks associated with bond issues can be higher than other School District transactions; however, with careful monitoring of the activity and appropriate control procedures, the School District will decrease its risk. Items to review and monitor closely include:

- Compliance with bidding requirements and establishment of appropriate procurement procedures
- Regular comparison of expenditures with ballot language and original bond application to ensure the expenditure is allowable under Section 1351(a) of the School Code
- Assessment of architect and construction manager fees for consistency with agreements
- Review of budgeted vs. actual expenditures including percentage of completion by project, so potential cost overruns may be addressed timely
- Investment earnings and the spending of the bond issue, in order to minimize or eliminate arbitrage payments

### Business Services Staff

We would like to take this opportunity to recognize the business services staff for the professionalism that they have once again demonstrated during the course of the audit. Their preparation for and assistance during the audit was greatly appreciated. The pride that your staff takes in their work and in the School District is to be commended.